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SUBJECT: FOREIGN MINISTER ON PERU'S "ISOLATION," BOLIVIA,
CHILE, ARTICLE 98

REF: LIMA 30

Classified By: Political Counselor Alexander Margulies.
Reason: 1.4(b/d).

SUMMARY

11. (C) Foreign Minister Oscar Maurtua, in a breakfast hosted by the Ambassador on 1/4, said that Peru, as a pro-U.S. and pro-free trade advocate, sees itself as increasingly isolated in a South America moving leftwards, with only Colombia for company. Maurtua pushed for signals of USG support: a Toledo meeting with POTUS, rapid signing of the Free Trade Agreement and increased aid. He expressed concern over Evo Morales' election in Bolivia, indicated that the GOP has given little thought to the practical consequences this may have for Peru, and conveyed President Alejandro Toledo's assurances that the USG will have Peru's full support if things go badly wrong in Bolivia and we need to stage an evacuation. With respect to Chile, Maurtua only focused on its arms purchases and on the "nightmare" that the GOC might reach an accord with Morales on an exchange of gas for a Bolivian outlet to the sea. On Article 98, Maurtua said that he wanted to move forward on an agreement meeting our International Criminal Court concerns through the 1952 Bilateral Military Assistance Agreement, while his assistant, Alfredo Chuquihuara, added that he would soon have a response to the proposal made in December by Arms Control A/S Stephen Rademaker. END SUMMARY.

12. (U) The Ambassador, accompanied by DCM and Polcouns, hosted a breakfast on 1/4 for Foreign Minister Maurtua, who was accompanied by his Cabinet Chief Chuquihuara and Under Secretary for the Americas Amb. Pablo Portugal. The

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conversation was wide-ranging over two-plus hours, focusing on Peru's sense of isolation in the region, the Bolivian election, perceived threats posed by Chile, Article 98 negotiations, and ultra-nationalist presidential candidate Ollanta Humala's 1/3 appearance at Hugo Chavez/Evo Morales event in Caracas (this latter issue was covered in Reftel).

ALONE IN A HOSTILE NEIGHBORHOOD

13. (C) Maurtua said that the Toledo Administration, which defines itself as pro-U.S. and pro-free trade, is feeling

increasingly isolated in a South America heading left. He explained that it only feels close to Uribe's Colombia, has comfortable relations with Lula's Brazil, problematic ties with Kirchner's Argentina, is marching to a different drummer than Duarte's Paraguay and Vasquez' Uruguay, has impossible relations with Chavez' Venezuela, fears that Evo Morales' Bolivia will be a proto-Chavez force on its southern border, and has no/no expectation that Ecuador will be restored to stability. While this is our characterization rather than Maurtua's, he is preoccupied that old problems with Chile deriving from the War of the Pacific could blow up in his face during this electoral year, meaning that for him it is a relationship fraught with risk rather than opportunity.

¶4. (C) The Foreign Minister gave no/no indication that the GOP had reached any conclusions as to how it should cope with this situation other than to turn to the U.S. for signals that we recognize and appreciate Peru's efforts. Specifically, Maurtua again raised the request for a Toledo-POTUS meeting, urged prompt signing of the Free Trade Agreement (and was delighted to learn from the Ambassador that USTR intended to provide the requisite three-months congressional notification over the coming week), and pleaded for increased assistance. With respect to aid, Maurtua said that Peru had the impression that the U.S., like Europe, was focusing too much on Africa: "You need to pay more attention to us, we are only five hours from Miami." He also lamented that Peru will lose USD 50 million in assistance this year because its regional governments have not been able to develop fundable projects with adequate safeguards.

¶5. (C) The Ambassador agreed that the latter issue was a problem, pointing out that USAID was working with regional and local governments to improve their capabilities to design and carry out projects. He offered to increase communication

between the Embassy and the Foreign Ministry's international cooperation agency APSI, to improve coordination on the provision of this training; an offer the Foreign Minister gladly accepted.

THE ELECTION OF EVO MORALES

¶6. (C) Maurtua said that President Toledo would attend Morales' inauguration, as Peruvian presidents historically have participated in the inauguration of their Bolivian counterparts. While Toledo had briefly met Morales in Bolivia and invited the latter to visit him in Peru, Maurtua confided, Morales had not/not taken Toledo up on this offer, traveling through Lima with a low profile on several occasions. The Foreign Minister added that he would advise Toledo to carefully prepare his public and private remarks at this event, to echo the President's previous advice to Chavez that it is not enough to be elected democratically, one must also govern democratically.

¶7. (C) After waxing on Peru's historical ties to Bolivia, dating back to the Inca Empire, through the Viceroyalty and the early republican period when the two countries were one, the Foreign Minister proceeded to demonstrate limited direct information of present-day events, saying that he sought advice and counsel on developments there from Peru's Ambassador to Brazil, who previously served in La Paz. After observing that he knew Vice President-elect Alvaro Garcia Linera and found him to be a "brilliant mathematician," Maurtua acknowledged that he was also hopelessly ultra-left. He followed this up with the suggestion that it might be advisable to encourage Jaime Paz Zamora's return to active politicking, as Paz Zamora was a "clever fellow" who knew how to handle the Aymaras and Quechuas, then recalled that Paz Zamora had had his visa revoked by the U.S. on narcotics-related grounds. He concluded by expressing pessimism on the prospects for carrying out the agreement on joint development of gas resources signed by Toledo and former President Carlos Mesa, observing that under a Morales government it is unlikely that there will be any development

of gas resources in Bolivia.

¶8. (C) The Ambassador explained the USG's position on the election of Evo Morales, stressing that we recognized his democratic election and would judge his government on its actions, particularly those that affect our interests, such as coca eradication. He noted that while we did not have contact with Morales before the vote, Ambassador David Greenlee did meet with him on 1/2.

THE CHILEAN "THREAT"

¶9. (C) Chile, as seen through the Foreign Ministers eyes, is a threatening presence for Peru. President Ricardo Lagos was "very prudent" regarding Morales election, Maurtua commented, sending him congratulations. Peru's "nightmare," he added, would be if the GOC were to reach an agreement with Morales on exchanging Bolivian gas for access to the sea. In addition to affecting Peru's maritime claims, he mused, this could complicate Peru's development of its own gas resources.

¶10. (C) Maurtua also complained at length about Chilean arms purchases, observing that under Lagos the GOC has bought USD 2.8 billion in arms. These purchases, he said, along with Venezuela's ongoing arms build-up, are destabilizing factors in the region and have led GOP officials to propose increasing the amount of funds Peru will dedicate to upgrading its weaponry as well as create a permanent mining/gas revenue set-aside to ensure continued military equipment funding as Chile has done with its copper revenue.

¶11. (C) The Ambassador replied that the GOC has gradually sought to whittle away at the privileges and protections granted to the military by the Pinochet Government, eliminating the offices of lifetime senators and asserting presidential authority over the appointment of military service commanders. The copper revenue set-aside will be the toughest nut to crack, he acknowledged, adding that the danger of creating an institutionalized set-aside in Peru is that it will be difficult to revise or eliminate it should

national requirements change.

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¶12. (C) With respect to arms purchases, Maurtua said that Peru should move away from buying "scrap" ("chatarra") from Russia and former Soviet-bloc countries and purchase its replacement weaponry from the U.S. He also expressed interest in increased training. The Ambassador replied that the absence of an Article 98 agreement was an obstacle to both objectives. Maurtua inquired as to the status and substance of an initiative in the U.S. Congress to revise American Servicemembers Protection Act restrictions. The Ambassador explained that this initiative could affect IMET, but would not deal with the ESF or FMS programs.

¶13. (C) Maurtua stated that he wanted to move forward quickly on an agreement meeting the USG's concerns regarding the International Criminal Court (ICC) through an amplification of the 1952 Bilateral Military Assistance Agreement. Chuquihuara said that he would soon have a response to the proposal made in December by Arms Control A/S Stephen Rademaker. He added that Peru was seeking to harmonize its preference for expanding the scope of "notice" with the USG's preference for expanding the fixed scope of "coverage" so that the USG's bottom-line that no Americans would be extradited by Peru to the ICC would be effected as a practical matter. Both Maurtua and Chuquihuara emphasized that they were taking personal political and legal risks in promoting this solution.

COMMENT

¶14. (C) Maurtua is keenly aware that he represents a lame-duck government with a seven month life-span. His main goals are to advance relations with the U.S. while avoiding regional and domestic political train wrecks. In looking around the neighborhood, he sees problems, not opportunities, and seems at a loss how to approach these difficulties, much less resolve them. It is particularly interesting how little focus the GOP in general, and the Foreign Ministry in particular, has given to Bolivia, given the two countries' shared border and historical ties. By his own admission, when it comes to Bolivia Maurtua is depending on the counsel of his trusted friend, Peru's Ambassador to Brazil, who formerly served in La Paz, rather than Peru's own Embassy there. In discussing Peru's options regarding Bolivian developments, he appeared to be primarily concerned to ensure that Peru not/not take steps that would upset the USG.

¶15. (C) The Foreign Minister seems to view Chile solely through the problematic legacy of the War of the Pacific. Thus, he does not consider Chile's potential value as a regional ally in promoting free-trade and a free market economy. Perhaps this is due to the pressures of domestic politics, where the GOP's initiatives to renegotiate the two countries' maritime boundary and to unilaterally proclaim its maritime baselines have proven as popular at home as they have engendered unease in Santiago. Whatever the cause, Maurtua's narrow treatment of Peru's southern neighbor is quite different from the broad vision of his predecessor Manuel Rodriguez. The latter, a native of Cuzco, recognized that the development of southern Peru required an integrated approach by Peru, Chile and Bolivia. END COMMENT.
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